South Star Battery Metals Corp

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in United States Dollars)

FOR THE THREE MONTHS ENDED MARCH 31, 2025 AND 2024

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

SOUTH STAR BATTERY METALS CORP.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in United States Dollars)

AS AT		March 31, 2025		December 31, 2024
ASSETS				
Current				
Cash and cash equivalents	$	1,274,666	$	2,091,299
Receivables		20,619		25,244
Prepaid expenses		65,235		137,388
Inventory (Note 4)		582,236		308,176
		1,942,756		2,562,107
Property, plant and equipment (Note 5)		17,274,191		16,291,846
Land (Note 5)		1,458,263		1,351,841
Exploration and evaluation asset (Note 6)		157,557		-
	$	20,832,767	$	20,205,794
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities (Note 12)	$	797,405	$	954,116
Warrant derivative liabilities (Note 8)		1,584,943		2,636,006
Deferred revenue (Note 7)		1,157,009		865,642
		3,539,357		4,455,764
Decommissioning liability (Note 9)		424,347		438,125
Deferred revenue (Note 7)		10,906,210		11,091,577
		14,869,914		15,985,466
Shareholders' equity				
Share capital (Note 10)		38,904,831		37,776,215
Subscriptions received in advance (Note 10)		-		51,507
Reserves		4,184,825		3,874,597
Accumulated other comprehensive loss		(4,210,452)		(5,256,206)
Deficit		(32,916,351)		(32,225,785)
		5,962,853		4,220,328
	$	20,832,767	$	20,205,794

Nature of operations and going concern (**Note 1**)

Approved and authorized by the Board of Directors on May 29, 2025:

"Priscila Costa Lima" Director *"Richard Pearce"* Director
Priscila Costa Lima Richard Pearce

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SOUTH STAR BATTERY METALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS
AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Expressed in United States Dollars)
FOR THE THREE MONTHS ENDED MARCH 31,

	2025	2024
GENERAL EXPENSES		
Business development	$ 17,525	$ 11,121
Consulting and management fees (Note 12)	224,665	159,526
Depreciation (Note 5)	3,546	7,429
Exploration and evaluation expenditures (Note 6)	190,965	140,307
Foreign exchange	(3,707)	(77,533)
Graphite processing costs (Note 4)	644,105	-
Information technology	25,913	24,656
Investor services	6,739	57,886
Office, rent, insurance	52,636	68,708
Professional fees	92,069	109,462
Share-based payments (Note 10)	455,523	70,912
Transfer agent and filing fees	12,947	15,654
Travel, vehicle and transportation	630	75,165
Wages and support staff	-	201,444
Loss from operations	(1,723,556)	(864,737)
Finance expense (Note 11)	(118,747)	(299,172)
Gain on settlement of management bonus with equity (Note 12)	122,828	-
Allowance against input tax credits	(34,416)	-
Fair value adjustment of warrant derivative liabilities (Note 8)	1,051,063	-
Interest income	12,262	43,435
	1,032,990	(255,737)
Net loss for the period	(690,566)	(1,120,474)
Other comprehensive income (loss)		
Items that may be reclassified to net loss		
Cumulative translation adjustment	1,045,754	(597,054)
Comprehensive income (loss) for the period	$ 355,188	$ (1,717,528)
Basic and diluted loss per share	$ (0.01)	$ (0.02)
Weighted average number of common shares outstanding – basic and diluted	59,995,878	46,274,390

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SOUTH STAR BATTERY METALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in United States Dollars)
FOR THE THREE MONTHS ENDED MARCH 31,

	2025	2024
CASH FROM OPERATING ACTIVITIES		
Net loss for the period	$ (690,566)	$ (1,120,474)
Items not affecting cash:		
Share-based payments	455,523	70,912
Depreciation	3,546	7,429
Finance expense	118,747	299,172
Settlement of management bonus with equity	(122,828)	-
Allowance against input tax credits	34,416	-
Fair value adjustment on warrant derivative liabilities	(1,051,063)	-
Changes in non-cash working capital items:		
Receivables	(29,763)	(2,768)
Prepaid expenses	74,908	(177,523)
Inventory	(244,635)	-
Accounts payable and accrued liabilities	(60,962)	(81,642)
Net cash used in operating activities	(1,512,678)	(1,004,894)
CASH FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(76,840)	(1,191,795)
Exploration and evaluation asset costs	(8,077)	-
Net cash used in investing activities	(84,917)	(1,191,795)
CASH FROM FINANCING ACTIVITIES		
Proceeds on issuance of common shares	827,942	4,966,413
Share issuance costs	(45,608)	(168,491)
Exercise of warrants	-	8,984
Lease payments	-	(3,938)
Net cash provided by financing activities	782,334	4,802,968
Effects of foreign exchange on cash	(1,372)	(146,270)
Change in cash and cash equivalents during the period	(815,260)	2,460,009
Cash and cash equivalents, beginning of the period	2,091,299	4,877,627
Cash and cash equivalents, end of the period	$ 1,274,666	$ 7,337,636
Supplemental cash flow information:		
Change in estimate of decommissioning liability to mine development costs	$ 60,018	$ -
Shares issued for property acquisition	149,480	-
Restricted share units exercised	183,201	-
Finder warrants issued as share issuance costs	-	2,994

The Company did not pay any cash for interest or income taxes during the three months ended March 31, 2025 and 2024.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

SOUTH STAR BATTERY METALS CORP.
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(Expressed in United States Dollars, except for share amounts)

	Share capital						
	Number	**Amount**	**Subscriptions received in advance**	**Reserves**	**Accumulated other comprehensive income (loss)**	**Deficit**	**Total**
Balance at December 31, 2023	41,851,345	$ 30,763,370	$ -	$ 4,155,765	$ 806,855	$ (26,621,002)	$ 9,104,988
Common shares issued for private placements	9,301,532	4,966,413	-	-	-	-	4,966,413
Share issuance costs, cash	-	(168,491)	-	-	-	-	(168,491)
Share issuance costs, non-cash	169,914	-	-	-	-	-	-
Common shares issued for warrants	40,000	8,984	-	-	-	-	8,984
Share-based payments	-	-	-	70,912	-	-	70,912
Cumulative translation adjustment	-	-	-	-	(597,054)	-	(597,054)
Net loss for the period	-	-	-	-	-	(1,120,474)	(1,120,474)
Balance at March 31, 2024	51,362,791	$ 35,570,276	$ -	$ 4,226,677	$ 209,801	$ (27,741,476)	$ 12,265,278
Common shares issued for private placements	4,931,511	1,968,156	-	152,394	-	-	2,120,550
Subscriptions received in advance	-	-	51,507	-	-	-	51,507
Share issuance costs, cash	-	(84,865)	-	-	-	-	(84,865)
Share issuance costs, non-cash	105,452	(1,193)	-	1,193	-	-	-
Common shares issued for warrants	1,020,000	222,615	-	-	-	-	222,615
Restricted share units exercised	257,436	101,226	-	(101,226)	-	-	-
Share-based payments	-	-	-	145,238	-	-	145,238
Change in functional currency (Note 2)	-	-	-	(549,679)	(2,086,327)	-	(2,636,006)
Cumulative translation adjustment	-	-	-	-	(3,379,680)	-	(3,379,680)
Net loss for the period	-	-	-	-	-	(4,484,309)	(4,484,309)
Balance at December 31, 2024	57,677,190	$ 37,776,215	$ 51,507	$ 3,874,597	$ (5,256,206)	$ (32,225,785)	$ 4,220,328
Common shares issued for private placements	2,045,231	841,543	(51,507)	37,906	-	-	827,942
Share issuance costs, non-cash	55,813	(45,608)	-	-	-	-	(45,608)
Shares issued for BamaStar (Note 6)	445,454	149,480	-	-	-	-	149,480
Restricted share units exercised	334,035	183,201	-	(183,201)	-	-	-
Share-based payments	-	-	-	455,523	-	-	455,523
Cumulative translation adjustment	-	-	-	-	1,045,754	-	1,045,754
Net loss for the period	-	-	-	-	-	(690,566)	(690,566)
Balance at March 31, 2025	60,557,723	$ 38,904,831	$ -	$ 4,184,825	$ (4,210,452)	$ (32,916,351)	$ 5,962,853

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

South Star Battery Metals Corp. (the "Company", or "STS") was incorporated in British Columbia on November 8, 1984. The Company is listed on the TSX Venture Exchange (the "Exchange") in Canada under the symbol "STS" and the OTC Bulletin Board in the United States under the symbol "STSBF".

The head office of the Company is 1507 – 1030 West Georgia Street, Vancouver, BC, V6E 2Y3. The registered records of the Company are located at 1500 – 1055 West Georgia Street, Vancouver, BC, V6E 4N7.

The Company is a Canadian battery-metals project developer focused on the selective acquisition and development of graphite projects in the Americas. The Company is moving into production at the Santa Cruz Graphite Mine in Bahia, Brazil and has an exploration project, BamaStar Graphite Project, in Alabama, USA.

Change in Presentation Currency

The Company has retroactively changed its presentation currency to the United States dollar (US$) from the Canadian dollar ("C$"). The change is detailed in Note 2.

Going Concern

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of $32,916,351 as at March 31, 2025 which has been primarily funded by the issuance of shares and a streaming agreement (Note 7). The Company's ability to continue as a going concern depends upon its ability to raise adequate financing and to generate profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares, but there is no assurance that it will be able to continue to do so in the future. Based on projected administrative and project expenditures for the next twelve months, the Company requires additional financing to continue to operate.

There is a material uncertainty related to these conditions that casts significant doubt about the Company's ability to continue as a going concern and therefore it may be unable to realize its assets and discharge its liabilities in the normal course of business.

These condensed consolidated interim financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these condensed consolidated interim financial statements. Any such adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with IFRS® Accounting Standards as issued by the International Accounting Standards Board ("IFRS").

These condensed consolidated interim financial statements should be read in conjunction with the company's annual consolidated financial statements for the year ended December 31, 2024, and are prepared consistent with the accounting policies disclosed therein.

Basis of Presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets and financial liabilities measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information. References to "$" or "US$" are to United States dollars and references to "C$" are to Canadian dollars.

2. BASIS OF PREPARATION (cont'd…)

Basis of consolidation

These condensed consolidated interim financial statements include the financial statements of the Company and the subsidiaries controlled by the Company. Subsidiaries are all entities over which the Company has control. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the condensed consolidated interim financial statements from the date on which control is transferred to the Company until the date that control ceases. All intercompany transactions and balances have been eliminated on consolidation.

The condensed consolidated interim financial statements include the financial statements of the Company and its subsidiaries as follows:

Company	Place of Incorporation	Effective Interest	Principal Activity	Functional currency
South Star Battery Metals Corp.	Canada	-	Corporate head	US$
Brasil Graphite Corp. ("BGC")	Cayman Islands	100%	Holding	US$
Brasil Grafite Mineração Ltda. ("BGM")	Brazil	100%	Mining development	Brazilian real
South Star Battery Metals Alabama Corp.	USA	100%	Mining exploration	US$
BamaStar Graphite LLC	USA	100%	Mining exploration	US$

Functional and Presentation Currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. From inception to December 31, 2024, the functional currency of the Company and its subsidiary BGC has been the Canadian dollar. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, *The Effects of Changes in Foreign Exchange Rates*. The financings completed in December 2024 and changes to the Company's structure and operations have resulted in a change to the currency in which the Company's management conducts its operating, capital and financing decisions. Consequently, the functional currency of the Company and BGC became the United states dollars ("US$") effective December 31, 2024.

These condensed consolidated interim financial statements are presented in US$. All financial information is expressed in United States dollars unless otherwise stated.

The Company has adopted the US$ as the presentation currency for the consolidated entity retrospectively. For comparative reporting purposes, historical financial statements were translated into the US$ reporting currency whereby assets and liabilities were translated at the closing rate in effect at the end of the comparative periods; revenues, expenses and cash flows were translated at the average rate in effect for the comparative periods and equity transactions were translated at historic rates. The change has been adopted to provide alignment between the Company's external reporting and its internal financial metrics, currency of quotation for graphite sales and predominant currency of the graphite market. Upon the change of functional currency as at December 31, 2024, the Company recognized an impact of $549,679 to reserves and $2,086,327 to accumulated other comprehensive income (loss).

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported expenses during the period ended December 31, 2024. Actual results could differ from these estimates.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Significant assumptions about the future and other sources of estimation and judgment uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to:

Income taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes. Management reassesses at reporting periods the likelihood of taxable income in future periods in order to determine whether to recognize any deferred tax assets.

Borrowing costs

The Company has made estimates with respect to applicable borrowing rates where borrowing rates are recognized for a significant financing component. In the case of the Stream Agreement (Note 7), the Company estimates the effective interest rate based on the estimated future settlement of deferred revenue relative to the prevailing forecast sales prices and timing of deliveries.

Inventory valuation

Materials and supplies, and graphite ore stockpiles, are valued at the lower of cost and net realizable value. Estimates in the carrying values of inventories arise due to the nature of the Company's limited operating history, estimated timing of processing, valuation of ore stockpiles based on an appropriate allocation of direct mining costs, direct labour and material costs, and mine site overhead and estimated costs to prepare stockpiles for sale.

Property, plant and equipment

Management reviews the estimated useful lives, residual values, and depreciation methods at the end of each financial year, and when circumstances indicate that such reviews should be made. Changes to estimated useful lives, residual values or depreciation methods resulting from such reviews are accounted for prospectively.

Decommissioning liabilities

The Company makes estimates of the timing and amount of expenditures required to settle the Company's decommissioning liabilities. The principal factors that can cause expected future expenditures to change are: the area of the Santa Cruz Graphite Mine operations; changes in the quantities of material in reserves and a corresponding change in the life of mine plan; changing ore characteristics that ultimately impact the environment; changes in water quality that impact the extent of water treatment required; and changes in laws and regulations governing the protection of the environment. In general, as the end of the mine life nears, the reliability of expected cash flows increases, but earlier in the mine life, the estimation of a decommissioning liability is inherently more subjective. Additionally, the estimated carrying value is significantly impacted by the discount rate.

(Unaudited - Expressed in United States Dollars)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (cont'd…)

Achievement of commercial production

Once a project reaches the operating levels and manner intended by management, depreciation of capitalized costs begins. Significant judgment is required to determine when certain assets of the Company's reach this level. Management considers several factors including consistent operating results are being achieved at a predetermined level of design capacity. The Company had completed its commissioning period in 2024 but has not started commercial production as the plant was not operating at determined capacity levels as of March 31, 2025.

Deferred revenue

Management has applied judgment in the assessment that the Stream Agreement (Note 7) constitutes a contract for the future sale of commodities to the counterparty. The contract will be settled through the delivery of commodity and in no event settled in cash. The deposit is therefore recorded as deferred revenue and is not a financial liability.

The Company projects its sales volumes and pricing in order to estimate the proportion of the deferred revenue liability held as a current liability, with estimated deliveries beyond one year held as a non-current liability.

Share-based payments

Share-based payments are subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

Going concern

Management has applied judgment in the assessment of the Company's ability to continue as a going concern, considering all available information, and concluded that the going concern assumption is appropriate for a period of at least twelve months following the end of the reporting period. Given the judgment involved, actual results may lead to a materially different outcome.

4. INVENTORY

Inventory is comprised of graphite ore stockpiles and consumables including processing materials for the crushing circuit and fuel supplies at the Santa Cruz Graphite Mine.

As at	March 31, 2025	December 31, 2024
Graphite ore stockpile and in process	$ 313,227	$ 169,941
Materials and supplies	269,009	138,235
Balance, end of period	$ 582,236	$ 308,176

The Company marked the end of its commissioning period in October 2024. In the three months ended March 31, 2025 costs of $644,105 (2024 - $Nil) were incurred in the commercial phase related to the operation of Santa Cruz which have been expensed due to the estimate of the net realizable value of the initial processed materials in progress. Costs attributed to graphite processing include wages, materials costs and overheads in Brazil attributable to the Santa Cruz graphite operations.

(Expressed in United States Dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment	Leasehold improvements	Right-of-use asset	Construction in progress	Mine development	Total
Cost						
Balance, December 31, 2023	$ 4,609,315	$ 18,144	$ 27,683	$ 5,223,525	$ 4,476,398	$ 14,355,065
Additions	-	-	-	4,226,460	962,389	5,188,849
Projects completed	8,520,972	-	-	(8,520,972)	-	-
Lease maturity	-	(16,735)	(25,534)	-	-	(42,269)
Foreign exchange	(1,749,595)	(1,409)	(2,149)	(929,013)	(508,269)	(3,190,435)
Balance, December 31, 2024	$ 11,380,692	$ -	$ -	$ -	$ 4,930,518	$ 16,311,210
Additions	-	-	-	21,682	55,217	76,899
Projects completed	21,682	-	-	(21,682)	-	-
Change in decommissioning liability estimate	-	-	-	-	(60,018)	(60,018)
Foreign exchange	896,392	-	-	-	74,218	970,610
Balance, March 31, 2025	$ 12,298,766	$ -	$ -	$ -	$ 4,999,935	$ 17,298,701
Accumulated Depreciation						
Balance, December 31, 2023	$ 12,437	$ 13,370	$ 21,916	$ -	$ -	$ 47,723
Additions	11,019	4,381	5,292	-	-	20,692
Lease maturity	-	(16,735)	(25,534)	-	-	(42,269)
Foreign exchange	(4,092)	(1,016)	(1,674)	-	-	(6,782)
Balance, December 31, 2024	$ 19,364	$ -	$ -	$ -	$ -	$ 19,364
Additions	3,546	-	-	-	-	3,546
Foreign exchange	1,600	-	-	-	-	1,600
Balance, March 31, 2025	$ 24,510	$ -	$ -	$ -	$ -	$ 24,510
Net Book Value						
December 31, 2024	$ 11,361,328	$ -	$ -	$ -	$ 4,930,518	$ 16,291,846
March 31, 2025	$ 12,274,256	$ -	$ -	$ -	$ 4,999,935	$ 17,274,191

(Expressed in United States Dollars)

5. PROPERTY, PLANT AND EQUIPMENT (cont'd…)

Santa Cruz Graphite Mine

The Company owns 100% of the Santa Cruz Graphite Mine through its wholly owned subsidiaries BGC and BGM. The project is located in the state of Bahia, Brazil and consists of 13 approved licenses covering 13,316 hectares. Development is currently underway.

The Company entered into an agreement to acquire land pursuant to a payment schedule which is subject to the sellers' abilities to provide documentation required under Brazilian law. During the year ended December 31, 2024, the Company made the final payment to acquire the title of the land.

Land asset		March 31, 2025		December 31, 2024
Balance, beginning of period	$	1,648,167	$	1,648,167
Borrowing costs		-		20,587
Foreign exchange		(189,904)		(316,913)
Balance, end of period	$	1,458,263	$	1,351,841

Land purchase liability		March 31, 2025		December 31, 2024
Balance, beginning of period	$	-	$	473,290
Borrowing costs		-		20,587
Payments		-		(468,988)
Foreign exchange		-		(24,889)
Balance, end of period	$	-	$	-

Borrowing costs recognized on land prior to commencement of development activities were expensed to the consolidated statements of loss and comprehensive loss.

6. EXPLORATION AND EVALUATION ASSETS

BamaStar Graphite Project

During the year ended December 31, 2021, the Company entered into a binding earn-in and option agreement ("BamaStar Agreement") to earn up to a 75% interest in the BamaStar Graphite Project (formerly Ceylon Graphite Project), which is located on the northeast end of the Alabama Graphite Belt and covers approximately 500 acres in Coosa County, Alabama, USA.

The Company exercised its option to acquire its 75% interest in the BamaStar Graphite Project. Additionally, the Company acquired the remaining 25% interest by issuing a total of 445,454 common shares to the vendor valued at $149,480 and incurred additional acquisition costs of $8,077. The Company has 100% of the rights to the BamaStar Graphite Project.

(Expressed in United States Dollars)

6. EXPLORATION AND EVALUATION ASSETS (cont'd…)

BamaStar Graphite Project (cont'd….)

During the year ended December 31, 2023, the Company announced the receipt of a US$3.2 million grant from the Department of Defense ("DoD") under the Defense Production Act ("DPA") Title III authorities utilizing funds appropriated by the Inflation Reduction Act, to advance a National Instrument 43-101 Feasibility Study ("FS") for the BamaStar Graphite Project. The DoD will contribute funding to the BamaStar FS on a cost-share basis. As part of the agreement, the DoD will provide $3,179,999 and the Company will contribute $3,772,499 in matching funding on a cost-share basis over a period of 18 months, and after the successful delivery by the Company of a National Instrument 43-101 Preliminary Economic Assessment ("PEA"). The PEA was delivered in November 2024. No amounts have been received to date under the grant.

Exploration and evaluation expenditures

Exploration and evaluation expenditures incurred on the BamaStar Graphite Project during the three months ended March 31, 2025 and 2024 were as follows:

	2025	2024
Drilling and assay	$ -	$ 1,904
Field office expenses	8,628	8,420
Geological and technical reporting	52,337	-
Property costs	130,000	129,983
Expenses incurred during the period	$ 190,965	$ 140,307

7. STREAM AGREEMENT

On April 4, 2022, as amended October 4, 2022 and December 20, 2024, the Company entered into a binding streaming agreement ("Agreement") with Sprott Resource Streaming and Royalty Corp. ("Sprott" or "SRSR") for the Santa Cruz Graphite Mine. The total cash consideration under the Agreement is up to $28,000,000, as prepayment for graphite concentrates from the Santa Cruz Graphite Mine. The Company will act as sales agent for Sprott on the percentage of production subject to the Agreement.

The Agreement is structured in two phases. The Phase 1 Stream is applicable on sales and delivery of the first 6,000 tonnes per annum of graphite concentrates and 15% of all graphite concentrates greater than 6,000 tpa ("Phase 1 Stream Production"). The Phase 1 Stream is an upfront prepayment of $10,000,000 of graphite concentrate for 21.875% of the Phase 1 Stream Production until a total sale and delivery of 75,000 tonnes of concentrate has been achieved, at which point the Phase 1 Stream will be reduced by 50% to 10.9375%. SRSR will pay the Company 20% of the per tonne sales price for Phase 1 Stream Production.

The Company's obligations under the Agreement and related documents are secured by a pledge by the Company of the shares of its direct wholly-owned subsidiary BGC, in favour of Sprott (collectively, the "Initial Share Pledges"). The Initial Share Pledges serve as collateral under a limited recourse guarantee provided by the Company with respect to the Agreement. The obligations under the Agreement will be further guaranteed pursuant to a guarantee from each of BGM and BGC, and further secured by a pledge of the shares of BGM and certain assets of BGM (including real property) relating to the Santa Cruz Graphite Mine.

(Expressed in United States Dollars)

7. STREAM AGREEMENT (cont'd…)

The Company completed conditions precedent and received the initial graphite stream advance payment of $10,000,000 for the Phase 1 Stream during the year ended December 31, 2022. In connection with the Phase 1 Stream, the Company issued Sprott 1,200,000 warrants ("Sprott Warrants") at an exercise price of C$0.72 and term of 3 years.

The Phase 2 Stream provides a minimum of $9,000,000 and up to $18,000,000 cash consideration at the Company's election. The Phase 2 Stream is applicable on sales and delivery of 85% of all graphite concentrates greater than 6,000 tpa ("Phase 2 Stream Production"). The Phase 2 Stream is an upfront prepayment up to $18,000,000 of graphite concentrate for up to 20% ("Phase 2 Stream Percentage") of the Phase 2 Stream Production. The Company has the option of a reduced Phase 2 draw request of a minimum of $9,000,000 with the Phase 2 Stream Percentage reduced pro rata, provided there is viable alternative project financing available for the balance.

SRSR will pay the Company 20% of the per tonne sales price for Phase 2 Stream Production. The Company has the option to buy back up to 100% of the Phase 2 Stream based amount of the draw request and a scaling multiplier over four years. Closing of the Phase 2 Stream is subject to Sprott Phase 2 due diligence and investment committee update and approval, standard closing conditions, completion of condition precedents and the approval of the TSXV.

The Company recorded the Phase 1 Stream upfront payment as deferred revenue and recognizes amounts in revenue as graphite is delivered to Sprott. The Company determines the amortization of deferred revenue on a per unit basis using the estimated total number of graphite expected to be delivered to Sprott over the life of the Phase 1 Stream Production. The Company estimates the current portion of deferred revenue based on deliveries anticipated over the next twelve months based on the mine plan.

Deferred revenue consists of: 1) initial cash deposit received by the Company for future delivery of payable graphite under the terms of the Agreement, and 2) a significant financing component of the Agreement resulting from the difference in the timing of the upfront payment received and the promised goods delivered. As such, the Company recognizes interest expense at each reporting period and will accrete the deferred revenue balance to recognize the significant financing element that is part of the Agreement. The interest rate of 3.54% (2024 – 5,4%) is determined based on the effective rate in the expected deliveries against the deferred revenue.

The initial consideration received from the Agreement is considered variable, subject to changes in the total graphite tonnes to be delivered in the future.

The following table summarizes deferred revenue:

Deferred revenue	March 31, 2025	December 31, 2024
Balance, beginning of period	$ 11,957,219	$ 11,328,219
Financing cost	106,000	629,000
Balance, end of period	$ 12,063,219	$ 11,957,219
Current, estimated deliverable within 12 months	1,157,009	865,642
Non-current	10,906,210	11,091,577

8. WARRANT DERIVATIVE LIABILITIES

In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering or as compensation under IFRS 2 *Share-based payments*, must be classified as a derivative liability and measured at fair value with changes recognized in the condensed consolidated interim statement of loss and comprehensive loss as they arise.

Warrants exercisable in Canadian dollars after December 31, 2024, the date marking the Company's change in functional currency, are therefore classified as derivative liabilities. As at March 31, 2025, the Company had 22,509,667 (December 31, 2024 – 22,509,667) warrants from financing activities which qualify as derivative liabilities as detailed in Note 10.

Warrant derivative liabilities	March 31, 2025	December 31, 2024
Balance, beginning of period	$ 2,636,006	$ -
Recognition of warrant derivative liabilities	-	2,636,006
Fair value adjustment	(1,051,063)	-
Balance, end of period	$ 1,584,943	$ 2,636,006

The Company uses the Black-Scholes option pricing model to estimate fair value. The following weighted average assumptions were used to estimate the fair value of the derivative warrant liabilities on initial recognition (December 31, 2024):

	March 31, 2025	December 31, 2024
Risk-free interest rate	2.47%	2.91%
Expected life	2.74 years	2.98 years
Expected annualized volatility	73.03%	75.16%
Dividend	-	-

The derivative warrants are a recurring Level 2 fair value measurement. The market price and expected volatility are key inputs used by management to determine the fair value. If the market price were to increase by a factor of 10% this would increase the obligation by approximately $315,000 as at March 31, 2025. If the market price were to decrease by a factor of 10% this would decrease the obligation by approximately $281,000. If the volatility were to increase by 10%, this would increase the obligation by approximately $334,000. If the volatility were to decrease by 10%, this would decrease the obligation by approximately $312,000 as at March 31, 2025.

(Expressed in United States Dollars)

9. DECOMMISSIONING LIABILITY

The Company has set up a decommissioning liability in connection with certain possible environmental and reclamation liabilities resulting from work done at the Santa Cruz Graphite Mine.

Decommissioning liability		March 31, 2025		December 31, 2024
Balance, beginning of period	$	438,125	$	-
Recognition of decommissioning liability		-		438,125
Accretion		12,747		-
Change in estimate		(60,018)		-
Foreign exchange		33,493		-
Balance, end of period	$	424,347	$	438,125

The total amount of estimated undiscounted cash flows required to settle the Company's estimated obligation is $1,194,200 which has been discounted using a pre-tax risk-free rate of 14.25% as published by the Central Bank of Brazil for government instruments of a remaining term equal to the decommissioning liability expected payment timing and an inflation rate of 5.48%. The present value of the decommissioning liability may be subject to change based on management's current estimates, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

10. SHARE CAPITAL AND RESERVES

Authorized share capital

As at March 31, 2025, the authorized share capital of the Company is an unlimited number of common shares without par value. All issued shares, consisting only of common shares, are fully paid.

Share issuances

During the three months ended March 31, 2025, the Company:

a) Completed a third and final tranche of a private placement totaling 2,045,231 units at a price of US$0.43 per unit for gross proceeds of $879,450, of which $51,507 had been received at December 31, 2024. Each unit consisted of one common share and one share purchase warrant exercisable at US$0.89 for a period of five years. The Company paid cash of $40,000 and issued 55,813 common shares as finder's fees.

During the year ended December 31, 2024, the Company:

a) Closed a non-brokered private placement of 9,301,532 common shares at a price of C$0.72 per common share for gross proceeds of $4,966,413 (C$6,697,103). The Company paid $140,201 (C$190,421) in cash and issued 169,914 common shares as finder's fees. The Company incurred $28,290 (C$38,414) in other share issuance costs.

b) Closed two tranches of a private placement totaling 4,931,511 units at a price of US$0.43 per unit ("2024 Unit") for gross proceeds of US$2,120,550. Each 2024 Unit consisted of one common share and one share purchase warrant exercisable at US$0.89 for a period of five years. The Unit warrants were attributed a residual value of $152,394. The Company paid cash of $63,557 and issued 105,452 common shares as finder's fees, and issued 4,665 broker warrants exercisable at US$0.89 for a period of five years. The broker warrants were valued at $1,193 using the Black-Scholes methodology using the following weighted average inputs: risk-free rate of 2.96%, expected life of 5 years, volatility rate of 106.48% and dividend rate of nil%. The Company incurred other share issuance costs of $21,307.

(Expressed in United States Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd…)

Equity Plan

The Company has an omnibus plan under which it is authorized to grant restricted share units, deferred share units and options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The vesting terms are determined by the Board of Directors.

Stock options

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2023	1,623,000	C$	0.43
Expired	(148,000)		1.65
Balance, December 31, 2024	1,475,000	C$	0.42
Granted	1,745,000		0.45
Balance outstanding, March 31, 2025	3,220,000	C$	0.43
Balance exercisable, March 31, 2025	3,220,000	C$	0.43

The following incentive stock options were outstanding as at March 31, 2025:

	Number		Exercise price	Expiry date
Stock options				
	432,000	C$	0.275	August 4, 2025
	835,000	C$	0.41	August 23, 2027
	208,000	C$	0.74	December 21, 2028
	1,745,000	C$	0.445	February 11, 2030
	3,220,000			

10. SHARE CAPITAL AND RESERVES (cont'd…)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2023	32,693,050	$ 0.78
Expired	(8,961,818)	0.55
Granted	4,936,176	0.89
Exercised	(1,060,000)	0.22
Balance, December 31, 2024	27,607,408	$ 0.87
Granted	2,045,231	0.89
Balance outstanding and exercisable, March 31, 2025	29,652,639	$ 0.86

Warrants exercisable in Canadian dollars as at March 31, 2025 are translated at current rates to reflect the current weighted average exercise price in US dollars for all outstanding warrants.

The following warrants were outstanding as at March 31, 2025:

Number		Exercise price	Expiry date
1,200,000	C$	0.72	November 22, 2025[(1)]
3,467,254	C$	1.25	June 23, 2027[(1)]
1,636	C$	1.25	June 23, 2027
4,356,346	C$	1.25	November 3, 2027[(1)]
8,750	C$	1.25	November 3, 2027
69,194	C$	0.53	November 3, 2027
4,390,000	C$	1.25	November 15, 2027[(1)]
73,300	C$	0.53	November 15, 2027
434,277	C$	1.25	January 9, 2028[(1)]
8,685	C$	0.53	January 9, 2028
127,925	C$	1.25	May 23, 2028[(1)]
1,159,981	C$	1.25	July 14, 2028[(1)]
7,373,884	C$	1.25	August 11, 2028[(1)]
1,883,786	US$	0.89	December 16, 2029
3,052,390	US$	0.89	December 19, 2029
2,045,231	US$	0.89	January 7, 2030
29,652,639			

(1) Included in derivatives liabilities (Note 8).

(Expressed in United States Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd…)

Restricted share units

	Number		Weighted average fair value per share at grant date
Outstanding, December 31, 2023	591,471	$	0.48
Exercised	(257,436)		0.39
Outstanding, December 31, 2024	334,035	$	0.55
Granted	542,889		0.31
Exercised	(334,035)		0.55
Outstanding, March 31, 2025	542,889	$	0.31
Vested, March 31, 2025	-	$	-

The Restricted Share Units ("RSUs") have time-based vesting conditions as follows:

	Number		Grant date price	Vesting date
Restricted Share Units				
	542,889	$	0.31	February 11, 2026

Deferred share units

	Number		Weighted average fair value per share at grant date
Outstanding, December 31, 2023 and 2024	-	$	-
Issued	480,000		0.31
Outstanding, March 31, 2025	480,000	$	0.31
Vested, March 31, 2025	-	$	-

The Deferred Share Units ("DSUs") have time-based vesting conditions as follows:

	Number		Grant date price	Vesting date
Deferred Share Units				
	480,000	$	0.31	February 11, 2026

(Expressed in United States Dollars)

10. SHARE CAPITAL AND RESERVES (cont'd…)

Share-based payments

Restricted Share Units

As the performance conditions of the RSU granted were not market-related, the fair value per RSU used to calculate compensation expense for the RSU granted is determined to be equal to the market price on the date of grant. The value is then expensed over the vesting term. During the three months ended March 31, 2025, the Company recognized share-based payments expense of $22,207 (2024 - $70,912) with respect to RSUs.

Deferred Share Units

As the performance conditions of the DSU granted were not market-related, the fair value per DSU used to calculate compensation expense for the DSU granted is determined to be equal to the market price on the date of grant. The value is then expensed over the vesting term. During the three months ended March 31, 2025, the Company recognized share-based payments expense of $19,635 (2024 - $nil) with respect to DSUs.

Stock options

During the three months ended March 31, 2025, the Company granted 1,745,000 (2024 – nil) options with an exercise price of C$0.445 (2024 - $nil). In the three months ended March 31, 2025, the Company recognized share-based payments expense of $413,681 (2024 - $nil) for options vesting in the period.

The following weighted average assumptions were used for the valuation of stock options granted in the respective periods:

	2025	2024
Risk-free interest rate	2.78%	-
Expected life of options	5 years	-
Annualized volatility	101.78%	-
Dividend rate	0.00%	-
Forfeiture rate	0.00%	-

11. FINANCE EXPENSE

Finance expense	Three months ended March 31, 2025	Three months ended March 31, 2024
Finance expense on deferred revenue (Note 7)	$ 106,000	$ 299,000
Accretion expense on decommissioning liabilities	12,747	-
Accretion expense on lease liabilities	-	172
	$ 118,747	$ 299,172

(Expressed in United States Dollars)

12. RELATED PARTY TRANSACTIONS AND BALANCES

Key management personnel consist of the officers of the Company and the Company's Board of Directors. During the three months ended March 31, 2025, the Company:

a) Paid or accrued management and consulting fees of $29,737 (2024 - $18,817) to a consulting company partially owned by the Company's Chief Financial Officer ("CFO");

b) Paid or accrued management and consulting fees of $62,505 (2024 – $51,697) to the Chief Executive Officer ("CEO") of the Company and employment benefits of $3,206 (2024 - $3,001) to the CEO of the Company; and

c) Paid or accrued management and consulting fees of $45,000 (2024 – $nil) to a consulting company owned by the Vice President of Operations of the Company.

Included in accounts payable and accrued liabilities as of March 31, 2025, is $71,400 (December 31, 2024 – $213,594) due to current officers, directors or companies with a director in common for cash advances, unpaid consulting fees and unpaid expenses. The amounts due to related parties are unsecured, non-interest bearing and due on demand.

During the three months ended March 31, 2025, the Company granted 387,889 RSUs to the CEO in settlement of a compensation bonus in the amount of $122,063 recorded as of December 31, 2024. The RSUs vest over the period of one year. Consequently, the Company recorded a recovery of $122,063 (2024 - $nil) during the three months ended March 31, 2025, for the amount previously recorded to accounts payable for management bonus compensation in the year ended December 31, 2024 and related party share-based compensation of $15,866 (2024 - $nil) related to the RSUs.

During the three months ended March 31, 2025, the Company recorded share-based payments of $369,824 (2024 - $nil) related to the fair value of stock options granted and vested to key management personnel and additional share-based payments expense of $22,294 (2024 - $45,675) for RSUs and DSUs.

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these condensed consolidated interim financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized. The derivative liabilities are measured using level 2 inputs (Note 8) and carried at FVTPL.

As at March 31, 2025, the carrying value and fair values of the Company's financial instruments, with comparative figures for December 31, 2024 are shown in the table below:

	March 31, 2025		December 31, 2024	
	Fair Value	**Carrying Value**	**Fair Value**	**Carrying Value**
Financial assets				
Cash and cash equivalents	$ 1,274,666	$ 1,274,666	$ 2,091,299	$ 2,091,299
Financial liabilities				
Accounts payable and accrued liabilities	797,405	797,405	954,116	954,116
Warrant derivative liabilities	1,584,943	1,584,943	2,636,006	2,636,006

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd…)

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets including cash and cash equivalents. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions.

Liquidity risk

The Company's approach to managing liquidity risk is to try and have sufficient liquidity to meet liabilities when due. As at March 31, 2025, the Company had a cash and cash equivalents balance of $1,274,666 (December 31, 2024 - $2,091,299) to settle accounts payable and accrued liabilities of $797,405 (December 31, 2024 - $954,116). All of the Company's accounts payable and accrued liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

Currency risk

The Company's main project is in Brazil with local operations. As such, the Company is exposed to foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar, United States dollar and the Brazilian real ("R$") may have an adverse effect on the Company's business. The Company does not enter into any foreign exchange hedging contracts. As at March 31, 2025, the Company had net financial liabilities denominated in Canadian dollars of C$100,297 ($69,766). A 10% movement in the foreign exchange rate would have impacted net loss by approximately $6,980. As at March 31, 2025, the Company held net financial instruments liabilities in Brazil of R$2,748,000 ($300,400). A 10% movement in the foreign exchange rate would have impacted other comprehensive loss by approximately $30,040 as the Brazilian real is the functional currency of that entity. Foreign currency risk will have an impact the Company's net loss and net financial instruments.

Interest rate risk

The Company's financial assets exposed to interest rate risk consist of cash balances. The Company's current policy is to invest excess cash in high-interest bank accounts and investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As at March 31, 2025, the Company did not have any interest-bearing debt.

Price risk

The Company is exposed to price risk with respect to commodity and equity prices. The Company closely monitors commodity prices, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

14. CAPITAL MANAGEMENT

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the exploration and development of its mineral property interests. Capital is comprised of the Company's shareholders' deficiency. The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities.

The Company does not presently utilize any quantitative measures to monitor its capital and is not subject to externally imposed capital requirements. The Company has not changed its approach to capital management in the period ended March 31, 2025.

15. SEGMENTED INFORMATION

The Company operates in one segment, being mineral property exploration and development. As at March 31, 2025 and 2024, all of the Company's long-term property and equipment and land assets are situated in Brazil (Note 5). The Company's exploration and evaluation asset is located in the USA (Note 6)